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Uruguay

Grain and Feed

Rice Production

2004

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Report Highlights:

Marketing Year (MY) 2004/05 Uruguayan milled rice production is forecast at 749,000 metric tons (MT) on 180,000 hectares (has). Reservoir levels in early spring were below normal due to below average rainfall leading to reduced planting expectations. Exports are forecast to increase in MY2004/05 to 775,000 MT. Domestic consumption is forecast stable.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
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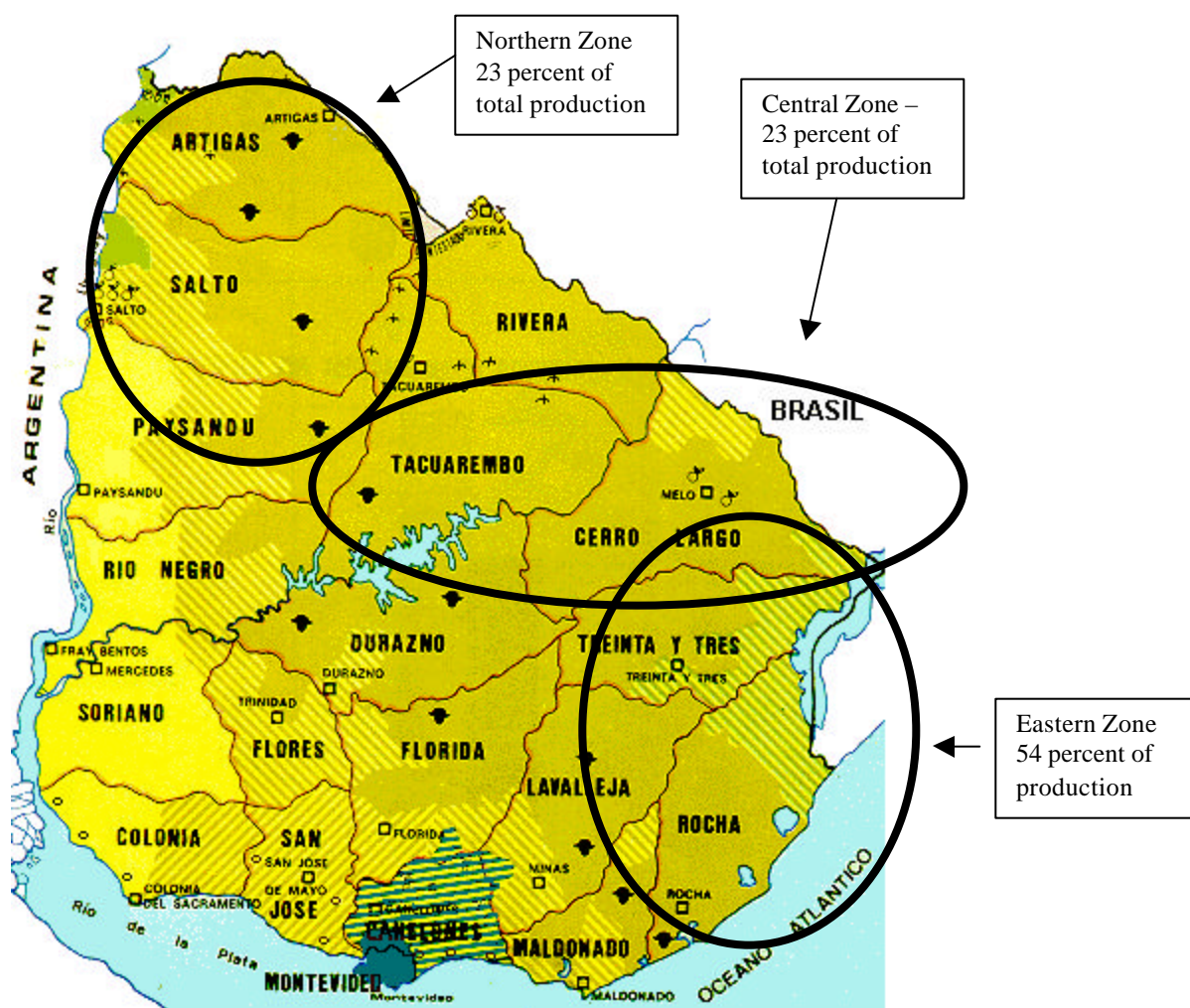
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Production

Post forecasts MY2004/05 milled rice production at 749,000 metric tons (MT) on 180,000 hectares (has) based on information from the Association of Rice Producers (ACA). Rough rice production is forecast at 1.070 million metric tons (MMT). Preliminary forecasts estimated planted acreage at 200,000 has. However, low water levels in reservoirs and rivers during October and the beginning of November decreased planting expectations.

The MY2003/04 harvest concluded with a production of 924,000 MT (1.32 MMT rough production) on 195,000 has. Yields in MY2004/05 averaged 6.75 kg/has.

There are three main rice-producing areas in Uruguay. The Northern Zone (Artigas and Salto) and the Central Zone (Riviera, Tacuarembó, west of Cerro Largo, and north of Durazno), combined, account for 46 percent of rice production, equally distributed between the two areas. The remaining 54 percent of production is concentrated in the Eastern Zone (Rocha, Lavalleja, Treinta y Tres and the east of Cerro Largo).



Rice is planted directly into dry soil from October through November 15 (most producers will not risk planting after November 15 due to the possibility of early frost around harvest time). Approximately 30 –45 days after planting, the fields are flooded with water from reservoirs or rivers.

Fertilization usually occurs before planting and mainly consists of nitrogen and phosphorous applications. Most producers also apply one to two urea applications using crop sprayers.

Overall, rice production in Uruguay is not labor intensive. The greatest demand for labor occurs during the preparation of soils and flooding. In order to flood the field and keep a consistent water level small mounds, called “taipas” are built in the rice field to maintain consistent water levels throughout the entire field. (see photo).



Fields are normally planted with rice for two consecutive years. The next four years, the fields are planted with grasses and used for grazing cattle. Most producers follow this rotation scheme.

Rice is harvested during March – April. After harvest, production is dried and processed. Most producers sell their production straight from the field to the local processors. These processors dry, remove the hull, process, and package the rice for commercialization.

The following is historical production information from ACA:

Crop Year	Planted Area	Rough Production (MT)	Yield kg/ha
1987/88	81,237	391,188	4.82
1988/89	97,178	535,394	5.51
1989/90	82,522	365,407	4.43
1990/91	109,794	522,097	4.76
1991/92	127,268	618,708	4.86
1992/93	135,739	699,294	5.15
1993/94	134,332	625,238	4.65
1994/95	146,268	808,344	5.53
1995/96	150,941	972,062	6.44
1996/97	155,492	1,037,132	6.67
1997/98	180,229	949,808	5.27
1998/99	205,990	1,301,859	6.32
1999/00	185,000	1,221,000	6.60
2000/01	153,676	1,030,198	6.70
2001/02	157,235	855,571	5.44
2002/03	152,203	875,167	5.75
2003/04	195,641	1,320,576	6.75

Limitations on Production

The current reservoir infrastructure limits rice area expansion. Production is limited to approximately 200,000 hectares due to limited irrigation resources. Approximately 12,000 m³/ha of water is needed for rice cultivation. Ninety-one percent of the total water collected

in the reservoirs (not including hydro-electric reservoirs) is used to irrigate rice. There are 800 reservoirs in Uruguay, 700 of which are used for rice irrigation. Additionally, of total water that is sourced from rivers, 90 percent goes to rice cultivation (350 of the 400 water sources).

Another limiting factor is storage capacity. Maximum rice storage capacity is approximately 1.3 – 1.4 million MT of production.

Investigation

The National Institute of Agricultural Investigation (INIA), a government entity with public and private funding, manages the National Rice Program. The objective of this program is to increase and stabilize the average national yield by providing the market with quality products that favor sustainable natural resource development. The priority of this program is to develop improved varieties for the Uruguayan rice sector. To attain this objective, the program puts emphasis on obtaining American quality 'culinary varieties' with disease resistance and developing tropical type agronomic characteristics which exceed those characteristics of El Paso 144 (local variety developed by INIA) and with resistance to 'rice burn' (Brusone).

In consultation with the various components of the rice industry (i.e., ACA, the Consortium of Seed Producers, etc.), INIA develops new varieties, which are then available for purchase. The Consortium of Seed Producers and ACA decide which company will be sold the rights to the new variety. The company pays a one-time fee to INIA for the rights to the variety as well as an annual percentage of registered certified seed sales.

Currently there are three protected varieties that were developed by the INIA program. They are El Paso 144, INIA Tacuari (Tropical/Japonica), and INIA Olimar. Over 60 percent of Uruguayan rice area is planted with El Paso 144.

Biotechnology

The adoption in Uruguay of rice varieties containing biotech events will depend, almost exclusively, on the acceptance of these events in Uruguay's export markets. Rice producers are very open to the idea of biotechnology, including the use of GMOs, but they are unlikely to adopt new technologies that may jeopardize their export markets.

Prices

In Uruguay, rice is traded using a fixed internal price, which is established annually by ACA. The price is calculated using a formula that takes into account the prior year's export values and volumes, destinations, production costs, and internal prices. A preliminary price is established near the end of June each year. In December, the final price is published. While these prices do not have legal binding, most producers and processors abide by this system, which was initiated in 1959.

Producers normally sign a contract with industry (processor) representatives, which states the price they will be paid upon delivery to the processor. Contracts do not include transportation costs; producers must pay for transportation separately. Most producers remain loyal to one company (processor) due to traditions that were established many generations before. Many families have been producing for the same processor for 4 –5 generations. Processors provide seed and assistance to producers, as well as, in some instances, water rights from private reservoirs.

Processing

Installed processing (drying, husking, polishing) capacity in Uruguay is approximately 197.50 MT/hour. While there are more than 20 processing plants throughout Uruguay, the four largest processors account for over 60 percent of the processing.

Consumption

Due to the relatively small population of Uruguay (3.6 million) and the low per capita consumption levels, domestic rice consumption is another limiting factor to rice demand. Currently domestic consumption is approximately 11 kilos/year/person. Such a low level of domestic demand and a high dependency on export markets leave the Uruguayan rice sector very vulnerable to changes and fluctuations in foreign markets and currencies. Historically, about 90 percent of rice production is exported, approximately 7 percent is destined for seed and the remaining balance is consumed domestically.

Crop Year	Domestic Consumption (MT)	KG/Person
1993/94	33,024	10.60
1994/95	35,281	11.20
1995/96	34,298	10.90
1996/97	35,654	11.30
1997/98	35,348	11.00
1998/99	35,443	11.00
1999/00	31,554	9.80
2000/01	33,393	10.40
2001/02	32,963	N/A
2002/03	30,919	N/A

Source: ACA

Trade

National Rice Millers (SAMAN) is the largest processor and exporter of rice in Uruguay, accounting for over 46 percent of total rice exports. Casarone and Agrocereales (Glencore) are the second and third largest exporters at 9 and 7 percent, respectively.

In 2003, Uruguay was the world's 7th largest exporter, exporting over 675,000 MT. Brazil is the market for over 70 percent of Uruguayan rice. Other important countries include Iran (20 %) and Peru (7 %).

The relationship between Uruguay and Iran was established by a trade agreement in the early 90's. While this agreement is no longer active, the relationship between Uruguayan exporters and Iranian importers have remained strong.

Policy

On May 20, 2003, in coordination with representatives of ACA and the milling industry, the Uruguayan government (GOU) established a fund for the restructuring and financing of the Uruguayan rice sector. This fund, known as the Rice Support and Financing Fund (FFRAA), will be used to finance activities in the rice sector, as well as service the large debt carried by the sector by charging a 5 percent tax on all rice exports. The tax is calculated on the total FOB value of all rice exports, regardless the degree of elaboration (including paddy rice), and derived rice products (flours, oils, pastas, etc).

The objectives of this fund are to 1) repay debts owed by rice producers to the Bank of the Oriental Republic of Uruguay, agricultural businesses, and exporters; 2) finance rice sector activities; and, 3) repay administrative debts incurred during the administration of the fund. Administrative costs must be below 1 percent of the total value of the fund.

Marketing

Currently there are no domestic, consumer-oriented marketing campaigns focused on increasing per capita consumption of rice. Many rice processors, however, package small, consumer-oriented quantities (1/2 – 1 kilogram). There is also a wide variety of flavored and aromatic rices offered on the local market. These include curry, mushroom, Urumati (basmati), wild, integral, parboiled, as well as rice oils and crackers.

Year-to-Date Exports
04/01/2004 – 12/09/2004

Uruguayan Exports	
04/01/2004 - 12/09/2004	
Paddy Rice (HS 1006.10)	
Country	Quantity (MT)
Brazil	80,843
Argentina	237
United States	200
Ecuador	19
Total	81,299

Uruguayan Exports	
04/01/2004 - 12/09/2004	
Milled Rice (HS 1006.30)	
Country	Quantity (MT)
Brazil	181,970
Iran	91,580
Peru	50,088
Haiti	10,345
Chile	4,648
Argentina	4,455
Spain	2,043
Portugal	618
Belgium Luxembourg	449
Germany	449
Canada	396
Mexico	379
Cyprus	215
Kuwait	120
United States	52
Libya	28
Israel	26
Total	347,861

Uruguayan Exports	
04/01/2004 - 12/09/2004	
Husked Rice (HS 1006.20)	
Country	Quantity (MT)
Brazil	121,392
Trinidad and Tobago	10,070
South Africa	192
United Kingdom	110
Peru	48
Israel	39
Chile	11
Portugal	2
Total	131,863

Uruguayan Exports	
04/01/2004 - 12/09/2004	
Broken Rice (HS 1006.40)	
Country	Quantity (MT)
Senegal	24,850
Germany	2,070
Brazil	1,462
Netherlands	1,035
Chile	540
Spain	506
South Africa	301
Canada	198
Peru	168
Argentina	3
Total	31,133

**MY 2003/2004 Exports
(April 1, 2003 – March 31, 2004)**

Uruguayan Exports	
04/01/2003 - 3/31/2004	
Paddy Rice (HS 1006.10)	
Country	Quantity (MT)
Brazil	140,822
Argentina	91
Ecuador	21
Total	140,934

Uruguayan Exports	
04/01/2003 - 3/31/2004	
Milled Rice (HS 1006.30)	
Country	Quantity (MT)
Brazil	257,614
Iran	38,556
Peru	9,720
Argentina	3,462
Cyprus	3,458
Spain	2,051
Chile	1,701
Portugal	595
Belgium	356
Germany	343
Kuwait	120
Canada	110
Slovenia	81
Bolivia	79
Israel	31
Total	318,278

Uruguayan Exports	
04/01/2003 - 3/31/2004	
Husked Rice (HS 1006.20)	
Country	Quantity (MT)
Bolivia	2
Brazil	143,506
Chile	9
Israel	57
Portugal	5
Qatar	350
South Africa	2,017
Total	145,946

Uruguayan Exports	
04/01/2003 - 3/31/2004	
Broken Rice (HS 1006.40)	
Country	Quantity (MT)
Brazil	9,368
Belgium	6,000
Germany	2,503
Chile	1,688
Argentina	1,220
Spain	1,100
South Africa	280
Canada	88
Total	22,245

Calendar Year Exports (Milled Rice Equivalents)														
Year	1998		1999		2000		2001		2002		2003		2004	
Month	MT	1000 US\$	MT	1000 US\$	MT	1000 US\$	MT	1000 US\$	MT	1000 US\$	MT	1000 US\$	MT	1000 US\$
January	36,355	14,192	28,312	12,070	62,172	14,187	78,635	16,516	74,969	15,144	56,757	11,437	22,449	7,974
February	60,017	20,174	30,71	11,424	88,01	21,297	93,177	19,509	91,078	19,886	39,614	8,265	6,439	1,854
March	42,727	14,812	20,973	6,037	49,111	10,726	38,02	7,438	28,385	5,717	21,752	4,136	12,000	3,342
April	50,975	17,399	47,468	11,612	42,693	9,770	38,315	7,653	33,182	5,890	71,283	16,069	51,327	15,096
May	77,434	29,739	101,621	26,959	23,922	6,373	27,294	5,739	79,831	16,432	68,635	17,788	73,690	21,419
June	65,993	26,807	71,736	21,387	34,455	8,704	109,592	23,852	77,034	16,182	92,061	24,924	54,213	15,671
July	64,841	27,680	49,732	13,717	78,853	17,492	45,503	9,423	32,01	6,027	57,745	17,314	40,600	9,837
August	53,462	22,748	30,452	6,907	97,901	21,000	53,26	10,566	25,241	4,375	38,42	12,195	64,185	17,821
September	75,119	32,310	67,363	15,564	80,196	17,463	65,758	12,790	73,4	15,373	65,685	19,846	94,963	26,584
October	72,085	29,717	115,956	26,888	55,063	10,847	89,492	17,913	41,231	8,645	52,181	17,185		
November	40,059	17,148	66,046	15,708	32,489	6,883	69,269	13,912	78,571	17,281	55,291	18,592		
December	47,601	20,721	110,228	27,496	96,256	20,189	114,587	23,293	47,363	10,144	54,338	19,318		
Total	686,668	273,447	740,597	195,769	741,121	164,931	822,902	168,604	682,295	141,096	673,762	187,069	419,866	119,598

Source: Uruguayan Central Bank

PSD Table

Country

Uruguay

Commodity

Rice, Milled

(1000 HA)(1000 MT)

Market Year Begin	2002		2003		2004		Forecast		UOM
	USDA Official Estimate [DA		Official Estimate [DA		Official Estimate [DA		Official Estimate [New]		
	04/2003		04/2004		04/2005		04/2006		
Area Harvested	153	152	185	185	195	180	180	(1000 HA)	
Beginning Stocks	141	141	60	58	222	257	257	(1000 MT)	
Milled Production	634	612	887	924	847	749	749	(1000 MT)	
Rough Production	906	875	1267	1320	1210	1070	1070	(1000 MT)	
MILLING RATE (.9999)	7000	7000	7000	7000	7000	7000	7000	(1000 MT)	
TOTAL Imports	0	0	0	0	0	0	0	(1000 MT)	
Jan-Dec Imports	0	0	0	0	0	0	0	(1000 MT)	
Jan-Dec Import U.S.	0	0	0	0	0	0	0	(1000 MT)	
TOTAL SUPPLY	775	753	947	982	1069	1006	1006	(1000 MT)	
TOTAL Exports	615	615	625	625	775	775	775	(1000 MT)	
Jan-Dec Exports	675	674	700	700	800	800	800	(1000 MT)	
TOTAL Dom. Consumption	100	80	100	100	100	100	100	(1000 MT)	
Ending Stocks	60	58	222	257	194	131	131	(1000 MT)	
TOTAL DISTRIBUTION	775	753	947	982	1069	1006	1006	(1000 MT)	